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INDUSTRY HORIZON

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Krungsri Research



KEY ENVIRONMENTS

2025-2027 OUTLOOK

Key environments influencing the outlook of Thailand's industry

Macro environment

- **Global economy:** Gradual growth with pressures of deglobalization and geopolitical tensions on trade and investment
- **Thai economy:** Potential growth but lower rate than other ASEAN countries
- **Structural changes:** impacts on industry
  - **Investment diversion:** Relocation of high-value upstream industries towards ASEAN.
  - **Modern service sector:** more important role in GVC
  - **Sustainability regulations:** both challenges and opportunities
  - **Climate change:** Impacts on agricultural supply chain

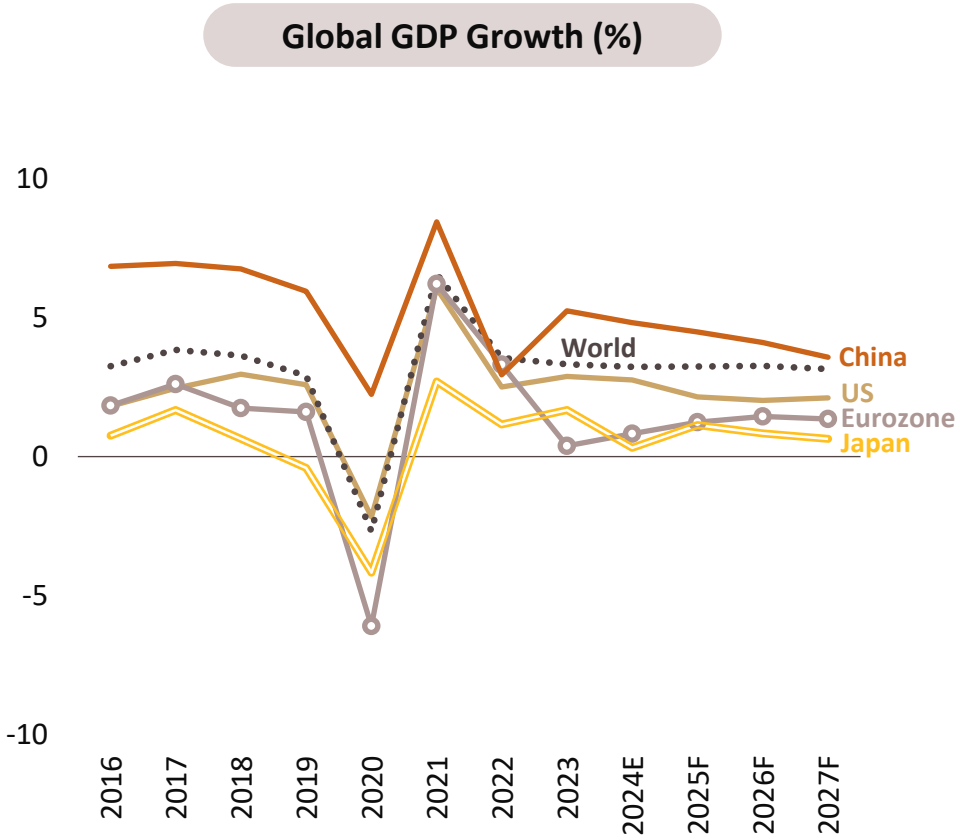
Industrial environment

- **Competitiveness:** low spending on R&D and shortages of skilled labor
- **Regulatory changes:** e.g., tax deduction for home construction, import duty exemptions on BEV parts, U.S. tariff on some Thai export products, the energy reform plan, the agreement of mutual visa exemption between Thailand and major markets, enforcement of Euro 6 emission standard for ICE automobile, debt relief financial program, emergency decree on top-up tax, and sustainability regulations.

Industry outlook



The global economy in 2025-2027 is expected to grow gradually amid a downward trend in interest rates. However, deglobalization trend and geopolitical tensions may put pressure on trade and investment worldwide.



US

- The economy is heading for a soft landing with growth of below its potential level amid a cooling labor market, suggesting gradual policy easing.
- Trump's proposals could create bubble risks; tariffs and immigrant policy might hurt growth and add to inflation, complicating the Fed's easing decision.

Europe

- The economy would experience a slow and fragile recovery amid manufacturing contraction, less fiscal stimulus, sluggish credit growth, and rising trade tensions.
- Softening inflation towards the 2% target and still-weak recovery would allow the ECB to continue to reduce policy rates.

Japan

- Economic stimulus, wage growth, and tourism would drive Japan's recovery, but growth would be limited by weak manufacturing and exports.
- Given concerns over trade direction, politics, and still-slow growth, the BOJ will not rush to hike rates.

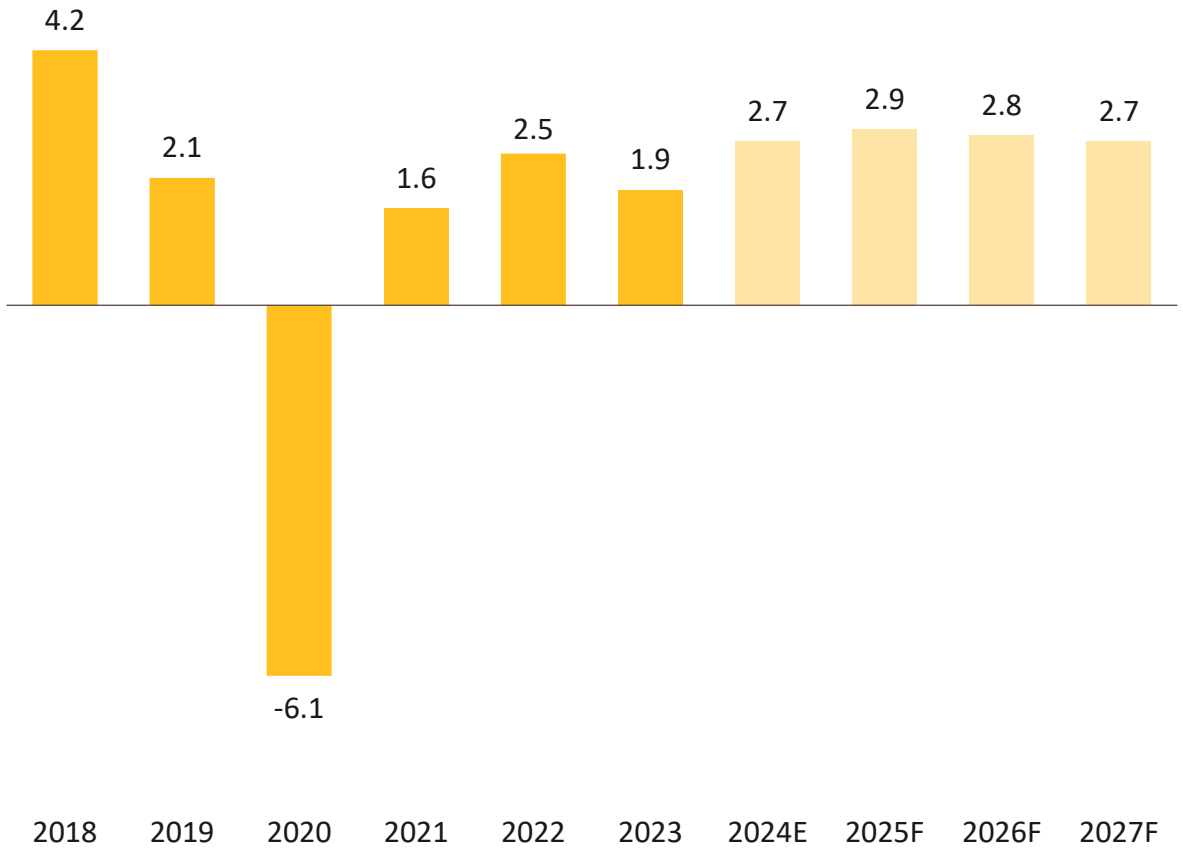
China

- Major economic engines continue to move forward but current headwinds will cap overall growth.
- Excess supply and downturn in real estate sector should ease, but structural challenges and external risks continue to cast a long shadow.

Source: IMF World Economic Outlook (October 2024), Krungsri Research

2025-2027 Thai economic outlook: Growth is expected to approach potential levels but remains lower than other ASEAN countries

Thailand's GDP growth and forecast (%)



- Recovery in tourism and employment
- Normalized public spending, stimulus measures, EEC projects, infrastructure investment
- Food security and gains in agricultural sector
- Regionalization, ASEAN dynamism, FDI
- Thailand's sound economic fundamentals

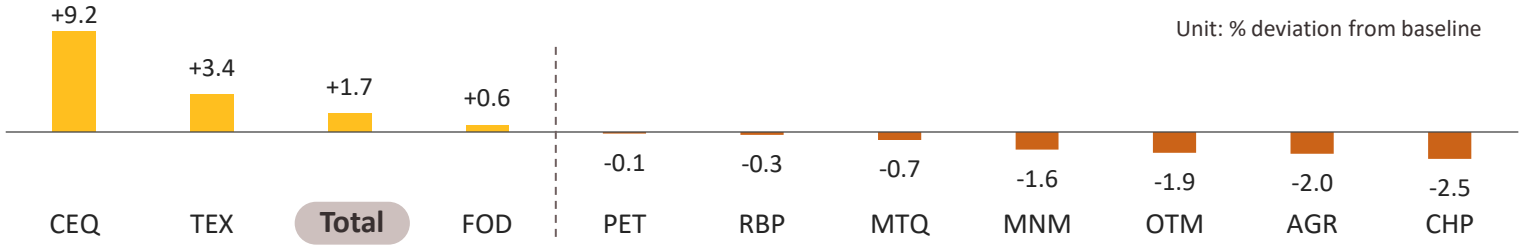
- Sub-par global growth and volatile financial markets amid uncertain US policies
- Rising trade protectionism and lingering geopolitical risk
- Structural headwinds, e.g. high household debt, weaker competitiveness, demographics
- Impact of climate fluctuation, such as La Niña
- Domestic political risk and policy uncertainty

Source: NESDC, Projection by Krungsri Research

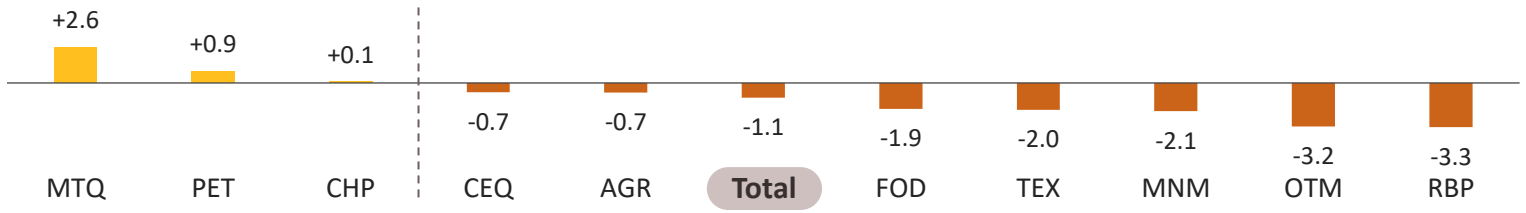
US trade policy may benefit exports of *some* industries but would be negative for *most* industries

Scenarios of US tariffs: Impact on Thai exports (analyzed by Krungsri Research)

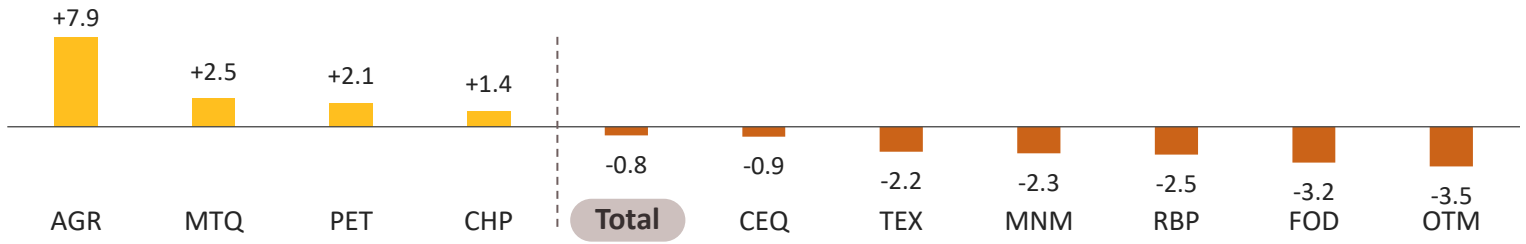
Scenario I: US imposes 60% tariff on all Chinese goods



Scenario II: US imposes 60% tariff on all imports from China and 20% on imports from other countries



Scenario III: China imposes 60% retaliatory tariffs on all US goods



AGR:	Agriculture
CHP:	Chemicals and Pharmaceuticals
CEQ:	Electronics and Electrical Equipment

FOD:	Food and Beverages
MNM:	Metals and Non-metals
MTQ:	Motor Vehicles and Transport Equipment

PET:	Coke and Refined Petroleum
RBP:	Rubber and Plastics
TEX:	Textiles, Leather and Footwear
OTM:	Other Goods

Source: GTAP, ITC, WITS, CEPII and Krungsri Research

Scenario I: The US imposes 60% tariffs on all Chinese goods, Thailand experiences a slightly positive impact, with gains in some exports such as electronics & electrical equipment, textiles, and leather, & footwear. However, its broader growth remains constrained due to Thailand's participation in the Chinese supply chain and reduced demand from key partners, especially from the US and China

Scenario II: The US imposes 60% tariffs on Chinese goods and 20% tariffs on goods from other countries, including Thailand. In this case, links between Thai industries and Chinese supply chains and the overall slowdown in the world economy will offset the positive effects of companies relocating production facilities to Thailand, and therefore Thai exports and GDP would fall from baseline.

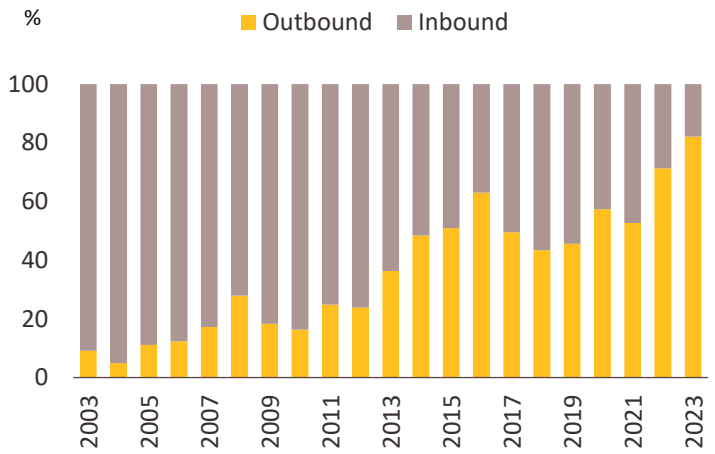
Scenario III: Combination between Scenario II and China's retaliation with 60% tariffs on all US goods. Despite investment relocation, The negative effects on the US, Chinese, and global demands will undercut Thai exports, such as food & beverages, and rubber & plastics.

Investment diversion from China towards production base in ASEAN will drive the region's focus on high-value upstream industries within the global value chain.

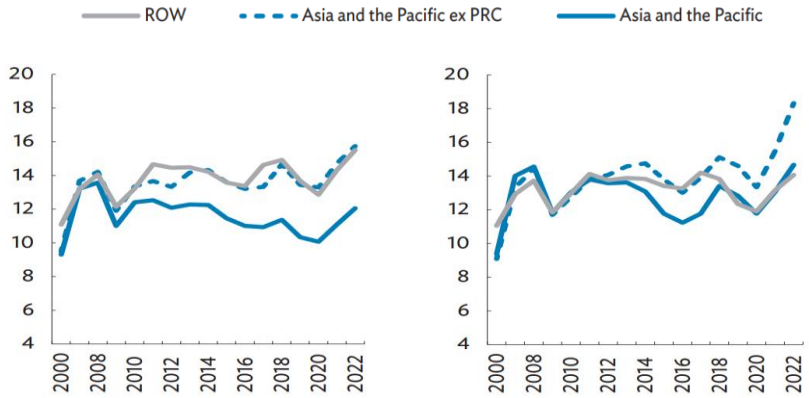
- **The prolonged U.S.-China tech war and trade barriers have driven the global supply chain towards intra-regional partnerships, focusing more on near-shoring and friend-shoring strategies.** China has shifted from being a former capital importer to becoming a major capital exporter to the ASEAN region, driven by excess production capacity across several industries in China and the attractiveness of using ASEAN as a manufacturing base for exports to the U.S. In 2023, China's outbound direct investment reached a record high of USD 162.7 billion, raising ASEAN's share of global direct investment to 17%. Most of this investment was concentrated in upstream industries with advanced technologies, including electronics, electrical appliances, automotive parts, and renewable energy (fDi Markets, 2024).
- **This investment diversion has facilitated the shift of Asia's production base toward higher value-added upstream industries in the global value chain (GVC), including in Thailand**. This is evident from the surge in investment promotion applications for the printed circuit board (PCB) industry in Thailand, with a value exceeding THB 140 billion between January 2023 and June 2024, compared to only THB 15 billion per year in 2021-2022, primarily driven by investors from China, Taiwan, Japan, and Hong Kong (BOI, 2024).

China's Outbound to Inbound FDI Ratio

(China's FDI trajectory: from capital importer) to capital exporter

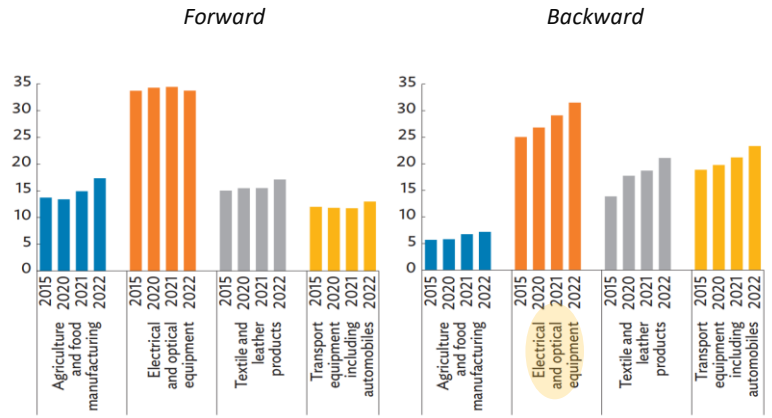


Backward, and Forward GVC Participation Rates



Global Value Chain Rate of Asia and the Pacific

(by Selected Sector)

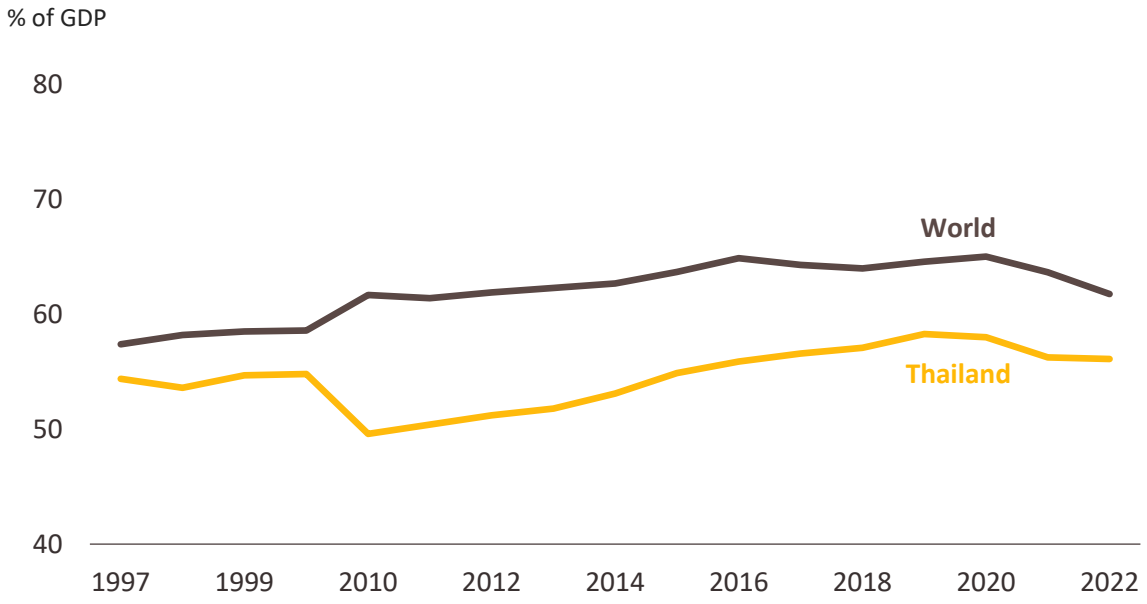


Source: fDi Markets 2024, ADB 2024, KS Research

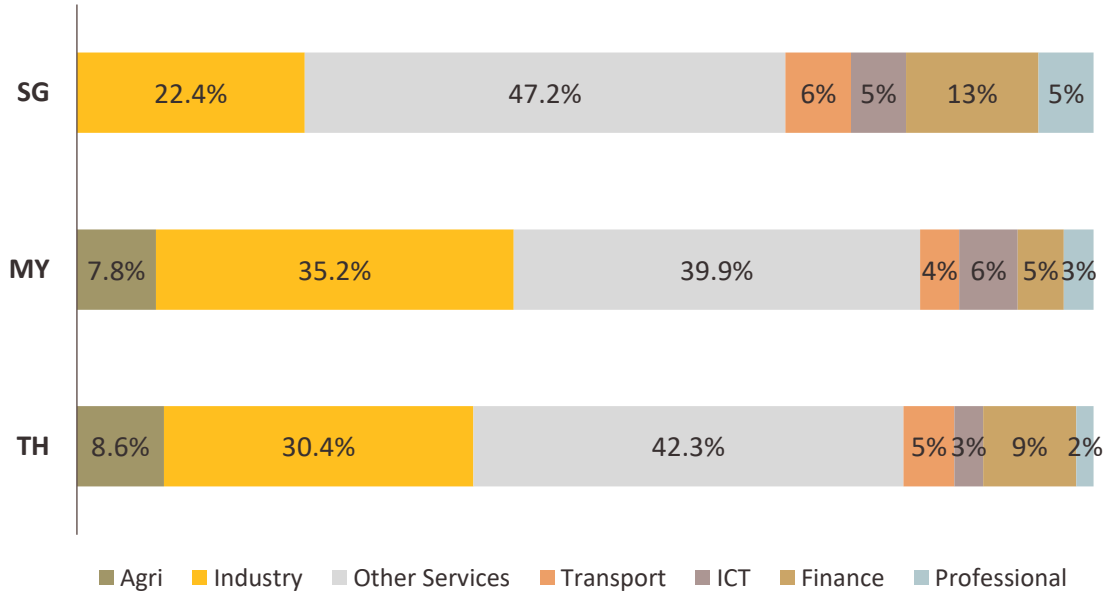
The modern service sector is playing an increasingly important role in supporting manufacturing within global value chains

- **The service sector is increasingly driving global economic growth, contributing 70–80% of GDP in advanced economies**, led by modern industries like IT, finance, and intellectual property. In Thailand, services account for around or less than 60% of GDP, dominated by traditional low-skilled industries, while modern services have smaller footprints.
- The modern service sectors play a vital role in supporting manufacturing through high-value inputs like transportation, finance, telecoms, and skilled labor, enhancing productivity and competitiveness. However, Thailand's service sector struggles with limited technology adoption, ranking 41st in the 2024 Global Innovation Index, behind Singapore (4th) and Malaysia (33rd). Challenges include labor shortages, reliance on low-value tourism, and insufficient innovative startups. Accelerating the transition to modern service innovation is crucial for sustainable growth and global competitiveness.

Share of Service Sector in GDP



Comparison of 2023 GDP Composition



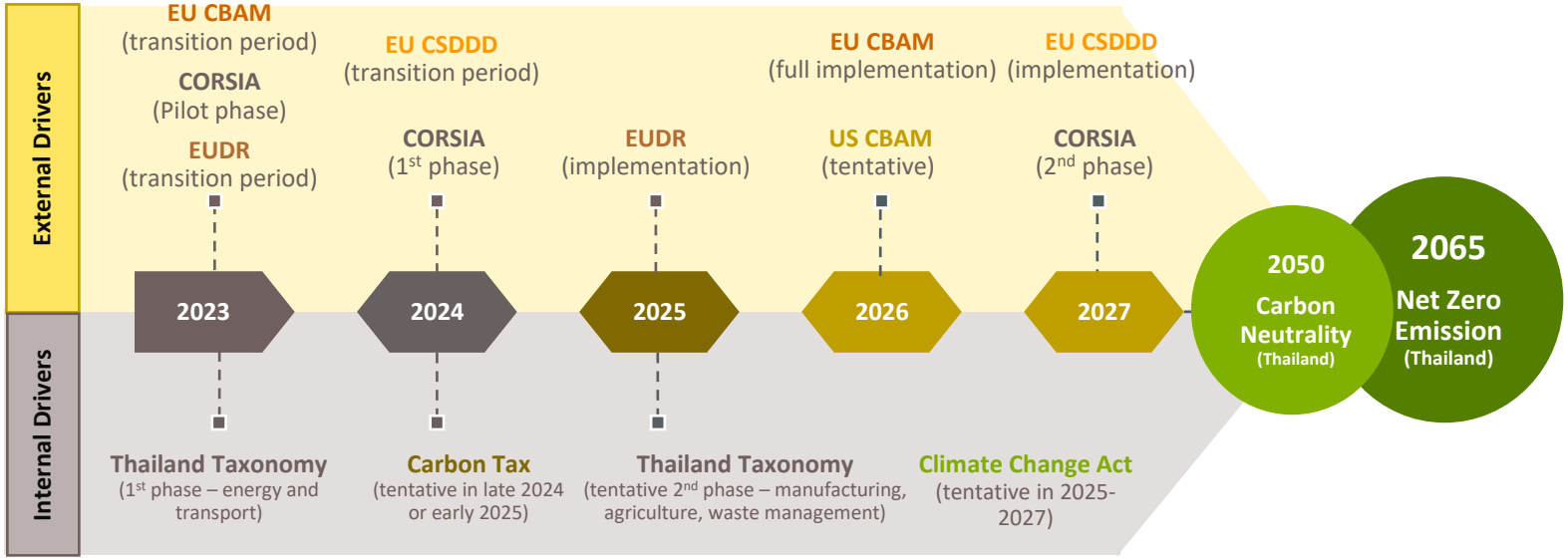
Source: World Bank, CEIC

The intensification of international and domestic sustainability regulations will present both challenges and opportunities for businesses.

- **International sustainability regulations** fall into two groups: **(i) Carbon emission reporting and pricing**, such as EU's Carbon Border Adjustment Mechanism (CBAM), which applies fees on high-carbon imports from 2026, with other nations (e.g., the US, the UK) considering similar measures, and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which imposes mandatory carbon costs on international flights from 2027. **(ii) Sustainability compliance**, such as the EU's Deforestation Regulation (EUDR) and Corporate Sustainability Due Diligence Directive (CSDDD), which require sustainable supply chain traceability.
- Businesses will also face pressure from **domestic regulations** as Thailand's **draft Climate Change Act** will introduce mandatory carbon reporting and advance the development of carbon pricing mechanisms, including a carbon tax on oil products by FY2025, an emissions trading scheme (ETS), and a carbon credit market.
- These more stringent regulations will create both challenges and opportunities for businesses in Thailand:
  - **Challenges:** Businesses will incur higher costs from reporting requirements, carbon pricing, and sustainability transitions. Carbon-intensive sectors, such as energy and heavy industries, are particularly vulnerable, and failure to adapt could harm competitiveness.
  - **Opportunities**: Agile companies can expand markets and tap into new businesses, such as sustainability consulting, MRV solutions, and climate tech.

Regulations	Affected sectors
EU CBAM	cement, electricity, fertilizer, iron and steel, aluminum, and hydrogen
EUDR	rubber, soy, cattle, palm oil, wood, cocoa, coffee, and some of their derived products
CCA (US CBAM)	fertilizer, hydrogen, cement, iron and steel, fossil fuels, refinery products, petrochemicals, adipic acid, glass products, paper and pulp, and ethanol
CORSIA	air transportation, SAF, carbon credit market
Carbon Tax	petroleum, transport, CBAM sectors
Climate Change Act	energy, high-emission sectors
Thailand Taxonomy	energy, transport, manufacturing, agriculture, waste management, construction, and real estate

Timeline of Sustainability Regulations Affecting Thailand

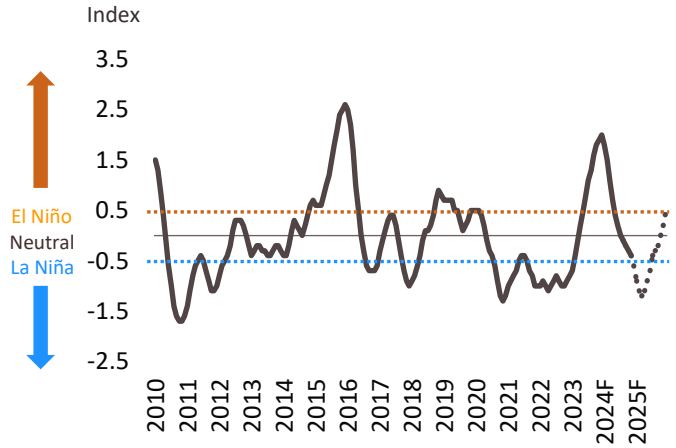


Source: European Commission, Department of Trade Negotiations (DTN), The International Civil Aviation Organization (ICAO), Bank of Thailand (BOT), and Krungsri Research

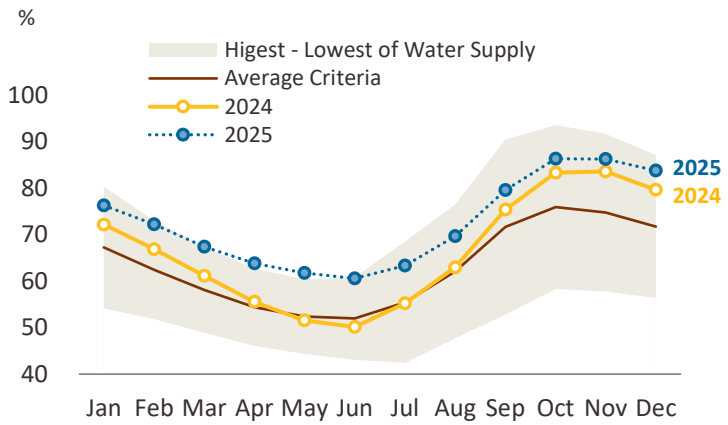
Increasing climate variability is impacting agricultural supply chains, with risks of flood in 2025 due to the onset of La Niña.

- The Oceanic Niño Index (ONI) is determined by sea-surface temperatures in equatorial regions of the Pacific. A value greater than 0.5 indicates El Niño conditions and a value of less than -0.5 reflects the emergence of a La Niña. As of November 2024, the ONI stood at -0.4, which is classified as 'Neutral'.
- Krungsri Research expects that the La Niña will persist over the next 1-2 years, with impacts on the agricultural sector and the economy over 2025-2026;
  - ***Higher risks of flood in 2025*** with annual rainfall rising by 12.0-14.0% above the average, reaching 1,823 mm, compared to the 30-year average of 1,622 mm and the 2011 great flood level of 1,948 mm.
  - ***Impacts on agricultural outputs***: The continuation of La Niña into 2025 is expected to increase rainfall, ensuring sufficient irrigation water and enabling the expansion of cultivated areas. However, excessive water may negatively impact agricultural goods, particularly key components of the supply chain such as rice, sugarcane, cassava, and other commercial crops.
  - ***Impacts on economic facility***: flooding will impact residential, agricultural, and industrial parts of the northern, northeastern, and central regions as well as parts of the South. The Lower North, which channels water from upland to lowland areas, and the central region, much of which is a floodplain, will be hard hit with accompanying losses to economic activity in households and factories together with damage to machinery, infrastructure, utilities.

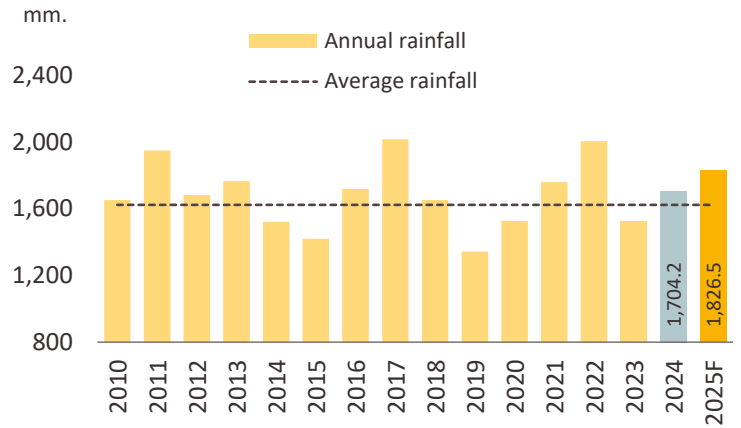
Oceanic Indices



Water Supply in Thailand*



Annual Rainfall in Thailand



Source: National Oceanic and Atmospheric Administration (NOAA), Thailand Meteorological Department (TMD), Thaiwater, Krungsri Research

Note : * The blue dots of 2024-2025 markers line are the forecast values, and the grey shadow area refers to the highest and lowest levels of water supply in Thailand during Y2011 - Y2023.

Changes in regulatory environment have impacts on Thai industry.

Real estate

- **A tax deduction of up to 100,000 THB for home construction** valued up to 10 million THB (effective April 9, 2024 – December 31, 2025) aiming to reduce homebuilding costs and stimulate residential construction activity.
- **3-year tax exemption offered by BOI for developers of low-income housing**, requiring unit prices under 1.5M THB and minimum areas of 24 sqm (condos) or 70 sqm (houses), effective March 15, 2024 – Dec 31, 2025.

Manufacturing

- **Import duty exemptions (March 7, 2023 – Dec 31, 2025) on key components for BEVs,** including batteries, motors, BMS, chargers, and inverters, aiming to boost domestic production and strengthening the BEV supply chain.
- **The US imposing a 23.06% tariff on Thai solar panels, part of AD/CVD measures targeting Chinese producers in Thailand** and other Southeast Asian countries, with final countervailing duties being decided in April 2025.

Energy & Environment

- **The energy reform plan,** effective by late 2024, including the 2024 Power Development Plan (PDP2024), the Alternative Energy Development Plan (AEDP), the gas and oil plans, aiming for carbon neutrality by 2050 and net-zero emissions by 2065.
- **The revised PDP2024 and AEDP 2024** targeting 50% renewable energy by 2037, boosting private investment in wind, biogas, solar, and waste-to-energy projects.

Tourism

- **The Ministry of Interior waiving hotel business fees** from July 1, 2024, to June 30, 2026, to reduce costs for hotels that have not fully recovered from the pandemic, positively impacting recovery, especially for small hotels in non-tourist areas.

Auto & EV

- **The Industrial Product Standards Committee (TISI) that will enforce Euro 6 emission standards** for trucks, buses, pickups, and small cars from January 1, 2025, to reduce PM2.5 emissions, increasing automaker compliance costs.
- **The government provides the EV 3.5 scheme (2024–2027)** with BEV subsidies of 50,000–100,000 THB for cars priced up to 2 million THB and 10,000 THB for motorcycles priced up to 150,000 THB to encourage consumer adoption for BEV.

Finance

- **The Bank of Thailand (BOT)** planning to announce the names of entities approved to establish **Virtual Banks** by mid-2025, with the first service provider expected to commence operations by mid-2026
- **The "You Fight, We Help" program** aiming to support home, car, and SME loan borrowers with overdue payments between 30 and 365 days, by offering reduced installment payments and interest deferrals for three years, from Dec.12, 2024, to Feb.28, 2025

All Industries

The emergency decree on top-up tax, targeting MNEs with consolidated revenues of at least €750 million, that takes effect for accounting periods starting on or after January 1, 2025, aligning with the Global Minimum Tax framework to curb tax competition for foreign investment companies.

Source: Compiled by Krungsri Research



KEY ENVIRONMENTS

2025-2027 OUTLOOK

The outlook of major sectors will improve on demand recovery and investment growth, amid upward pressure on competition.

Automobile: Demand will mildly recover in domestic and export markets with investment recovery and easing supply chain disruptions.

- Demand will be boosted by improving economic activity, tourism recovery, and progress on infrastructure development.
- Exports will bounce back as investment accelerates especially in ASEAN markets.

EV: Demand and production will accelerate, for BEV on strong stimulus packages, and HEV on development of more efficient models.

- New registration will be lifted by the EV 3.5 scheme and new model development.
- Production will increase on compensation for earlier imports under EV3.0 and EV3.5 scheme.

HDD and IC: HDDs are expected to improve, supported by expanded investment and growth in data centers, while ICs will benefit from demand-driven growth.

- HDD will benefit from investment expansion in cloud and data centers segments, although growth may be limited by the shift to AI-based computers to use SSDs.
- IC will be supported by entering the cycle of PC and smartphone upgrades.

Construction: Construction spending is expected to grow due to improving public and private investment, following the progress of government megaprojects.

- Public construction will benefit from the acceleration in work on megaprojects, including ongoing projects in the EEC.
- Private construction will improve slightly with slow recovery of housing market and crowding-in effects from infrastructure investment.

Housing (BMR): Sales will gradually recover, driven by economic growth and government measures, despite still-high household debt.

- Sales growth will be driven mainly by higher-end market, while other segments will face challenges of high unsold stock due to still-weak purchasing power.

Industrial Estate: Sales and leases are expected to keep expanding, particularly in strategic locations such as the EEC and central region.

- Revenue will increase due to investment relocation amid geopolitical tensions.

Hotel: A return of foreign arrivals to meet pre-COVID level in 2025 will support rapid growth in major tourist destinations.

- Foreign tourists will grow strongly with ongoing stimulus measures and increasing flights.
- Domestic trips will rise supported by improving spending power and MICE industry.

Hospital: Income is expected to grow significantly supported by an aging population, the rise of medical tourism, and the expanded services.

- Growth will be promising with services expansion towards more specialist medical treatments

Modern trade: Income will increase, driven by economic recovery, rising tourist arrivals, government mega-projects, and omnichannel development.

- Income will increase on rising tourist arrivals and omnichannel platforms development.
- Competition continues to rise with branch expansion and growing e-commerce market.

Rice: Output is forecast to grow gradually, while exports are expected to decline due to increased competition with more global supply.

- Domestic market will benefit from improving outlook for restaurants and hotels business.
- Exports will be affected by increasing global supply from major competitors.

Rubber: Overall demand is expected to rise, driven by recovery of key industries such as automotive, construction, and manufacturing in major markets.

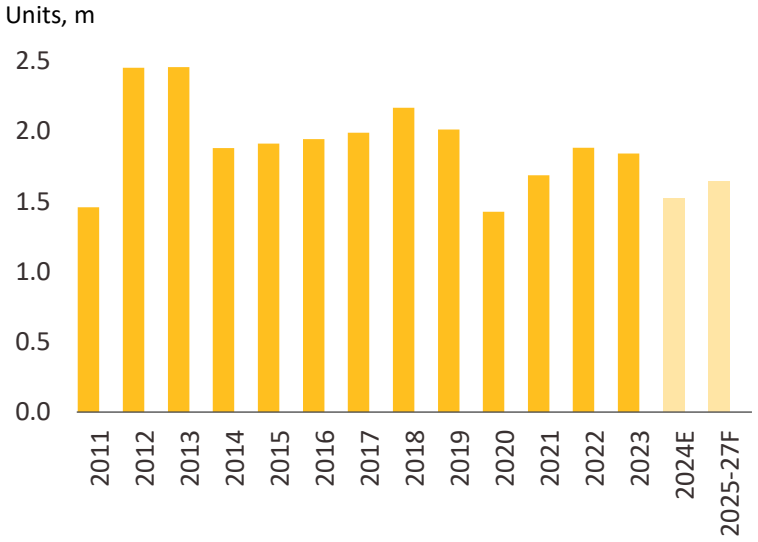
- Demand will increase supported by recovery of downstream industries.
- China's investment of upstream and downstream rubber products will limit Thailand's export.

Source: Krungsri Research

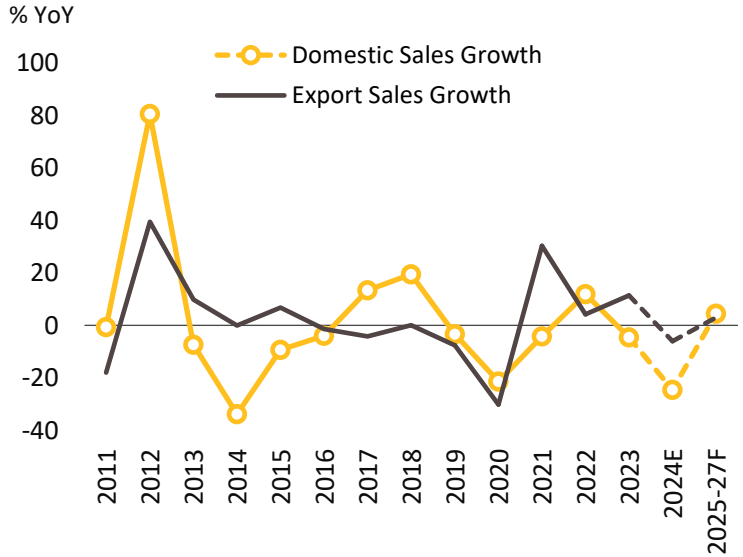
Automobile: Demand will mildly recover in domestic and export markets with investment recovery and easing supply chain disruptions.

- **Output will rise** as investment in new semiconductor production facilities pays off and supply chain bottlenecks clear. As per the conditions of the EV 3.0 and EV 3.5 schemes, the output of BEVs will also pick up as manufacturers compensate for earlier imports of these with domestically produced models.
- **Domestic sales will gradually rise** thanks to: (i) recovery in the tourism sector and an uptick in trade and investment; (ii) the transition to La Niña, which will lift agricultural yields and add to demand for pickups in the agricultural sector; (iii) progress on government infrastructure projects; and (iv) cuts to the duty payable on purchases of HEVs[1/]. However, domestic sale figures will still not reach the pre-Covid average.
- **Exports will rebound** as economies strengthen and investment accelerates in export markets, particularly in the ASEAN zone, which will benefit from the relocation of production facilities from China and Japan as manufacturers seek to avoid the impacts of worsening trade and geopolitical tensions.
- **Overall, production will therefore return to growth of 3.5-4.5%, domestic sales 4.0-5.0%, and exports 2.5-3.5% per year.**

Automobile Production



Growth in Automobile Sales



Automobile Production and Sales Growth

% YoY

	2023	9M2024	2024E	Avg. 2025-2027F
Domestic sales	-8.7	-25.3	-24.0 to -25.0	4.0-5.0
Exports	11.7	-6.5	-5.5 to -6.5	2.5-3.5
Production	-2.2	-18.6	-17.0 to -18.0	3.5-4.5

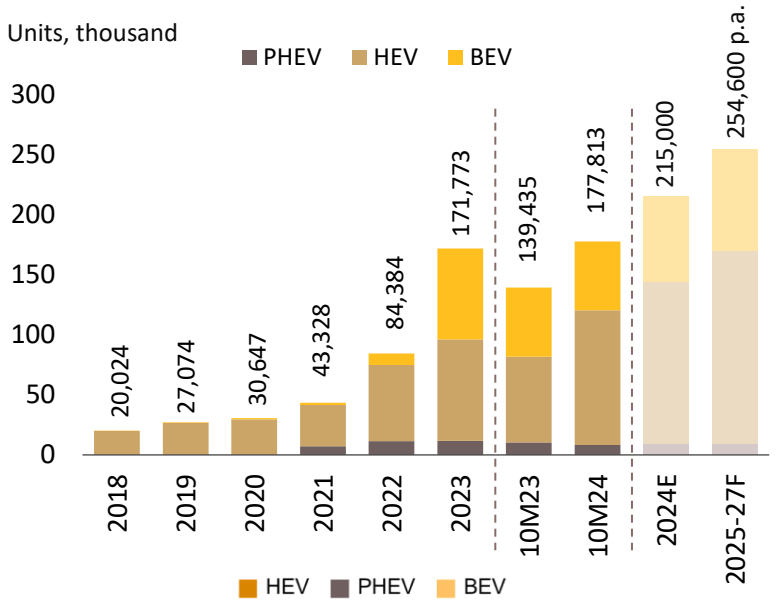
Source: The Federation of Thai Industries (FTI), Forecast by Krungsri Research

1/ This aims to support the development of HEVs, most of which are produced by the major manufacturers, and to encourage an increase in investment in Thailand-based production over 2024-2027.

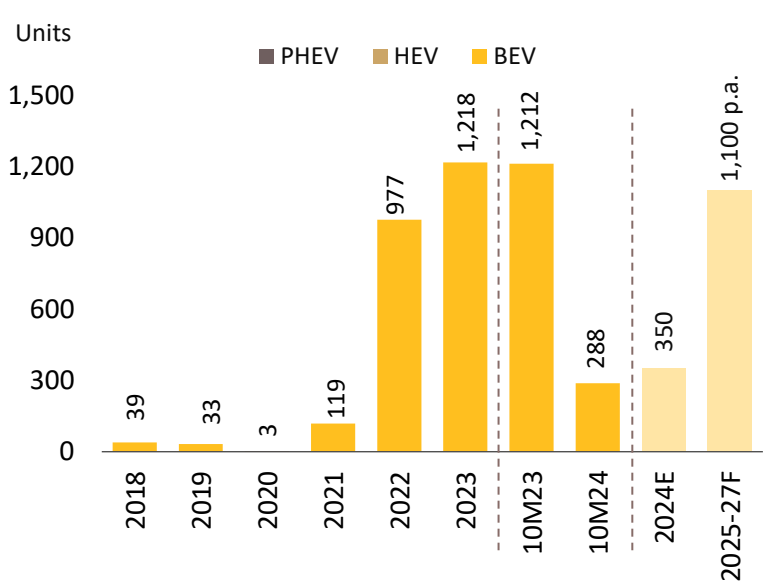
Electric vehicles: Production will accelerate, while demand will rise from stimulus packages and new models (BEVs) and development of more efficient models (HEVs).

- **By 2027, approximately 500,000 EVs should be coming off Thai production lines each year** given the need to compensate for earlier imports with 1-1.5 and 2-3 domestically produced vehicles, as per the conditions for respectively the EV 3.0 and EV 3.5 promotions. At the same time, **new registrations should climb to the annual averages of 85,000 BEVs, 160,000 HEVs, and 9,600 PHEVs,** lifted by: (i) the EV 3.5 scheme; (ii) cuts to duties on HEV that will help to stimulate the development of more efficient models; (iii) falling price and increasing range-per-charge; (iv) the release of new BEV models; and (v) the enforcement of the Euro 6 standards in 2025, which will make ICE-powered vehicles more expensive.
- At the same time, **1,100 new buses and 2,100 commercial vehicles should be registered each year over the next three years**. Sales will benefit from: (i) government support for the segment, which for EV pickups will come through the EV 3.5 scheme and for buses through measures promoting the use of larger EV commercial use; (ii) the increasing range of these, which is making them more in the usable in commercial settings; (iii) the increase in the number of charging stations, especially upcountry; and (iv) an extension in EV bus services, both on regular routes and in key areas.

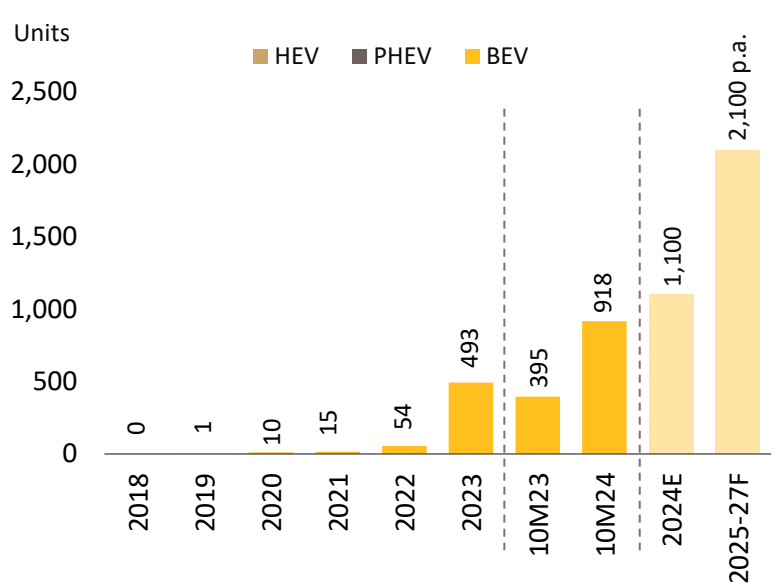
Newly Registered Electric Passenger Cars



Newly Registered Electric Buses



Newly Registered E-pickups and E-trucks

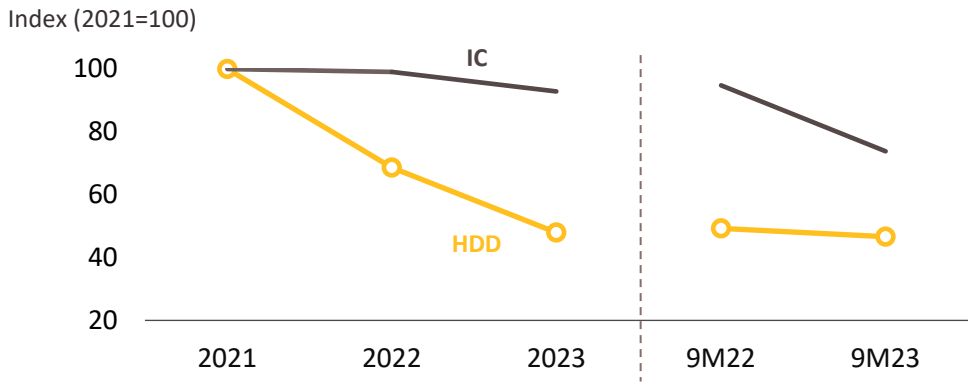


Source: Department of Land Transport (DLT), Forecast by Krungsri Research

HDD and IC: HDDs are expected to improve, supported by expanded investment and growth in data centers, while ICs will benefit from demand-driven growth.

- Production of HDDs will rise relative to the earlier low baseline. Demand will be boosted by an expansion in investment by major disk manufacturers in Thai production facilities[1/] and ongoing growth in adjacent industries, such as cloud computing, data centers[2/], and 5G technologies. Nevertheless, growth in overall HDD sales will be limited by the shift to AI-based computers that tend to use SSDs, Gartner projects 43.0% of PC shipments (or 114,225 units) will be AI PCs by 2025. Given this, **HDD output and export earnings are expected to expand by respectively 7.0-8.0% and 8.5-9.5% annually over 2025-2027.**
- IC orders will be lifted by: (i) steadily strengthening global demand for ICs, which is expected to average 5.8% CAGR over 2024-2033 (Precedence Research, 2024), especially for high-density interconnect and flexible PCBs; (ii) the onset of a worldwide PC and smartphone replacement cycle (Gartner, 2024); (iii) rising global EV sales, which the IEA expects to increase by 18.2% per year over 2024-2030; and (iv) increased domestic investment in related industries (e.g., smart electronics, upstream and midstream electronics parts, EVs, and data centers) that will further lift demand. **Over 2025-2027, annual production and exports of ICs are therefore expected to rise by 6.0-7.0% and 8.0-9.0%, respectively.**

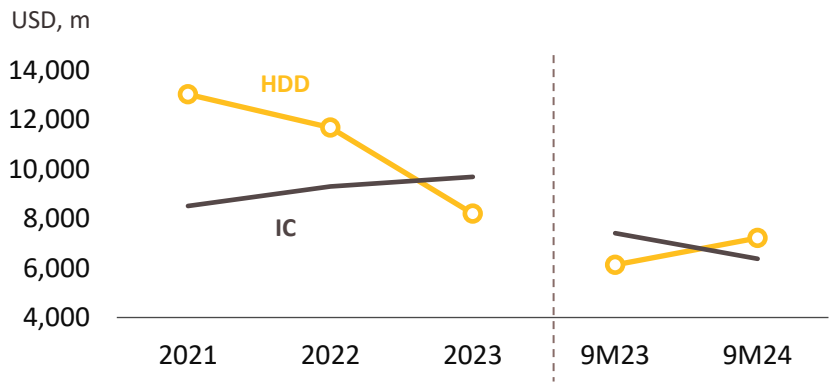
Electronics Industry Manufacturing Production Index (MPI)



% YoY

	2023	9M24	2024E	Avg. 2025F-2027F
HDD	-30.2	-5.4	-0.5 to +0.5	7.0-8.0
IC	-6.3	-22.1	-21.0 to -22.0	6.0-7.0

Electronics Exports



% YoY

	2023	9M24	2024E	Avg. 2025F-2027F
HDD	-29.9	17.9	24.0-25.0	8.5-9.5
IC	4.2	-15.9	-11.0 to -12.0	8.0-9.0

Source: OIE, MOC, Forecast by Krungsri Research

1/ Seagate and Western Digital invested THB 16bn and THB 23bn each in Thailand-based HDD production facilities over 2023-2024.

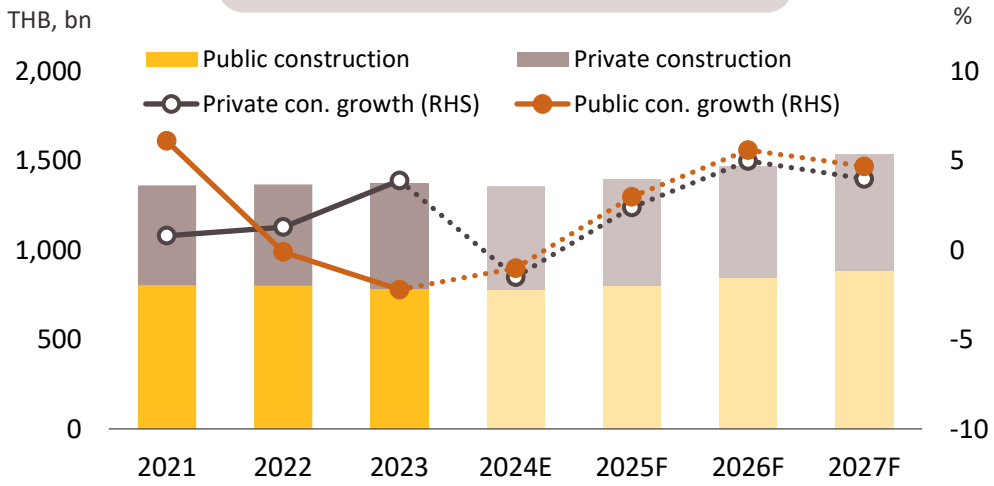
2/ Global investment in data centers should rise by 15.5% to USD 370bn in 2025 (Gartner, 2024).

Construction: Construction spending is expected to grow due to improving public and private investment, following the progress of government megaprojects.

Overall, the investment in construction sector should rise by 4.0-4.5% annually, driven by higher public sector spending on infrastructure megaprojects, especially those connected to the Eastern Economic Corridor (EEC), new projects in the 2025 spending plans[1/], and the development of new business zones in strategic areas.

- **Public sector allocations are expected to expand by 4.5-5.0% per year.** Tailwinds will come from the acceleration in work on ongoing megaprojects, as per the 2023-2027 Action Plan, and the pick-up in the pace of work on phases 1 and 2 of the double-track railway and on new lines that will then help to develop transport links connecting industrial estates with border regions. Ongoing projects in the EEC will include: (i) the first stage of phase 3 of the Map Ta Phut Port development (a new natural gas and petrochemicals docking facility) that should be finished on schedule in 2027; (ii) phase 3 of the Laem Chabang Port development, with Pier F (targeting the transport of industrial goods) beginning operations in 2027; and (iii) the delayed three-airport high-speed rail-link, for which ground should be broken in 2025.
- **Private sector investment spending is forecast to expand by 3.5-4.0% annually.** The industry will benefit from: (i) strengthening investment that will boost work on industrial and office space located on industrial estates in the EEC; (ii) continuing recovery in the tourism sector that will support an uptick in hotel construction; (iii) expansion in retail branch networks that will result in an increase in work on new department stores and other retail units; and (iv) recovery in residential housing markets, especially in the EEC and important provincial centers.
- **Major companies will remain at an advantage relative to SMEs given their better ability to bid for contracts and their stronger negotiating position relative to manufacturers and distributors of construction materials.** By contrast, SMEs will be dependent on income from sub-contracting for larger companies, resulting in a high degree of income uncertainty. Contractors, especially smaller operations, will also be exposed to risk arising from labor shortages and the elevated cost of materials.

Construction Investment Value



Electronics Exports

% YoY	2023	2024E	2025F	2026F	2027F	2025F-2027F
Public	-2.2	-1.0 to -1.5	3.0-3.5	5.5-6.0	4.5-5.0	4.5-5.0
Private	3.9	-1.5 to -2.0	2.0-2.5	4.5-5.0	4.0-4.5	3.5-4.0
Total	0.4	-1.0 to -1.5	2.5-3.0	5.0-5.5	4.0-4.5	4.0-4.5

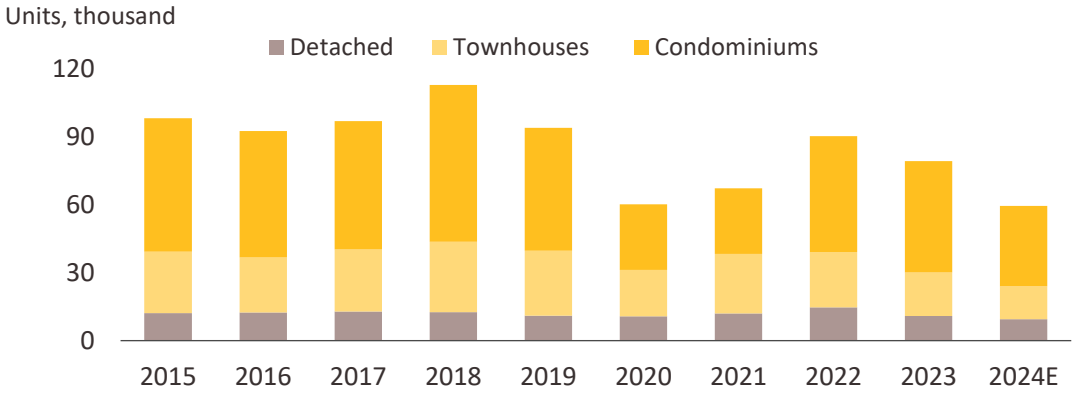
Source: Office of the National Economic and Social Development Council (NESDC), Forecast by Krungsri Research

1/ This includes: (i) THB 300-500bn for the construction of entertainment complexes in a number of locations, with 10% of total site areas reserved for casinos; and (ii) the Gulf of Thailand Pearl Necklace project, which will help to reduce coastal erosion and alleviate flooding in Bangkok.

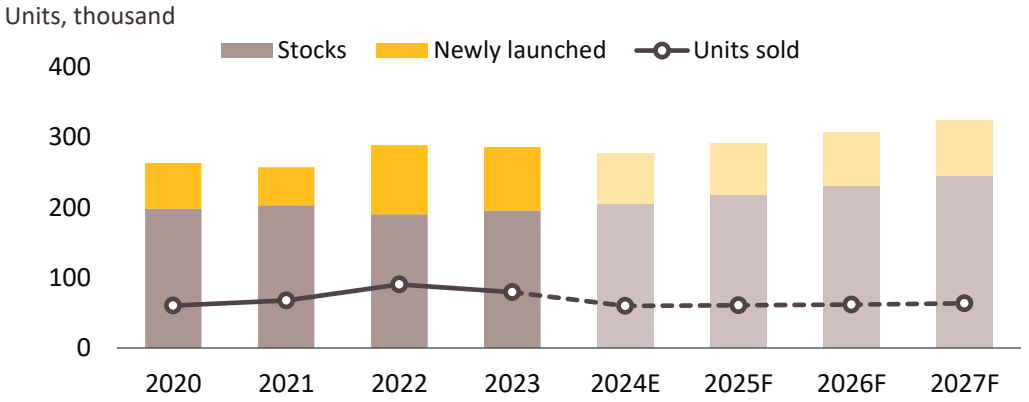
Housing (BMR): Sales will gradually recover, driven by economic growth and government measures, despite still-high household debt.

- **Housing sales are expected to gradually recover by 2.0-3.0% annually,** helped by: (i) the Thai economy's gradual recovery driven by increased government investment, especially on transportation infrastructure, which will stimulate demand for housing along metro lines and in areas accessible by metro lines, while continuing expansion in the tourism sector will add to demand from overseas buyers looking for investment properties or second homes; and (ii) government measures to promote investment, that will likely increase the number of expatriates working in Thailand, adding further to demand (in Q2, the number of these living and working in the country rose 10.5% YoY to 95,327).
- **The number of new units coming to market is expected to rise by 3.0-4.0% per year,** though new supply will be particularly targeted at middle- to upper-income earners since these have greater purchasing power and remain relatively insulated from economic uncertainty. The outlook for the main market segments is given below.
  - **Low-rise housing (detached housing and townhouses): Sales of detached houses will grow slowly,** driven largely by demand from upper-income owner-occupiers looking for properties in areas with full amenities such as shopping centers, international schools, and convenient transportation links. In contrast, **sales of townhouses are likely to remain flat** due to a high level of unsold inventory. These properties are mostly purchased by low- to middle-income buyers, who have been more impacted by rising household debt, thus limiting their purchasing power. **Large developers should continue to see steady growth, while SMEs will face worsening competition due to rising construction and financing costs.**
  - **Condominiums:** Supply will grow in both the CBD and along metro lines, and with the tourism sector continuing to expand and foreign purchasing power returning to the market, sales should also strengthen from non-Thais looking to buy properties as investments and to generate rental income. This will help to boost demand for luxury and super luxury[1/] properties in downtown locations, as well as for the very popular branded residences operated by 5-star hotels and which tend to sellout very rapidly. Condominiums in suburban areas continues to lag behind low-rise developments, and some of these areas still face a high level of unsold inventory, such as Phetkasem, Bang Phlat, Bang Na, and Samut Prakan.
- **The challenges include:** (i) persisting high household debt, which will limit purchasing power and the ability of financial institutions to expand credit to borrowers with lower credit quality; (ii) rises in property prices that will outpace growth in homebuyers' average income; and (iii) weakening demand as Thailand transitions to an aged society.

Units Sold



Total Supply



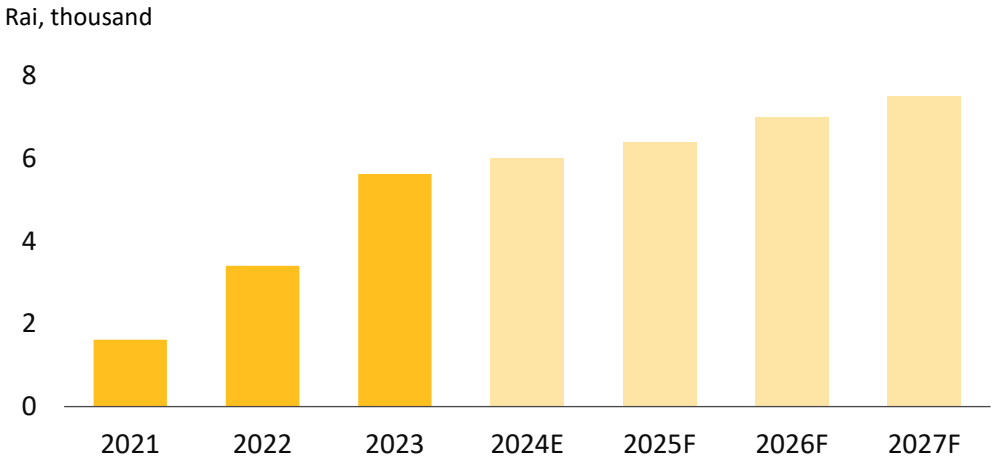
Source: AREA, Forecast by Krungsri Research

Industrial Estate: Sales and leases are expected to keep expanding, particularly in strategic locations such as the EEC and central region.

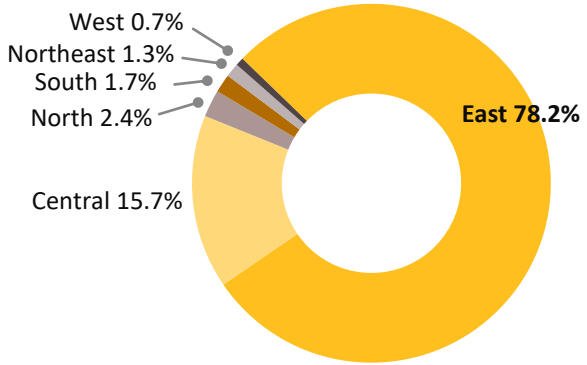
New sales and leases will continue to expand by some 7.0-8.0% annually (around 7,000 rai). Demand will be lifted by: (i) growth in the world economy and improving investor sentiment overseas that will boost exports; (ii) the diversion of investment inflows from major economies (especially China) into the ASEAN region as a result of worsening geopolitical stresses; (iii) greater progress on public sector infrastructure projects, in particular in the EEC. Players will tend to switch to work on 'smart parks' that support the provision of a comprehensive range of technological services, and these will also target the environmentally friendly measures needed to attract industries focused on the bio-circular-green (BCG) economy.

- **Eastern region:** The area's natural advantages and government support for investment in the EEC will underpin strong demand, as seen in Google's recent investment in a data center located on a WHA industrial estate in Chonburi. However, expansion in supply will be limited by: (i) the restricted availability of land and the resulting high prices, especially for sites suitable for the extensive projects favored by major corporations, though these problems are further exacerbated by unfavorable planning regulations; and (ii) delays to the processing of environmental impact assessments.
- **Central region:** Industrial estates in the central region will continue to benefit from their ready access to transportation networks, and so demand will strengthen further. Income will thus rise, especially from leases and the provision of utilities.
- **Other regions:** The lack of progress on developing transportation links that connect these to major industrial/economic areas and on spending on the special economic zones means that demand will remain weak. Income for operators in these areas will therefore grow only slowly.

Sold/Rent Industrial Estate Area Forecast



Industrial Estate Area, by Region (1H24)

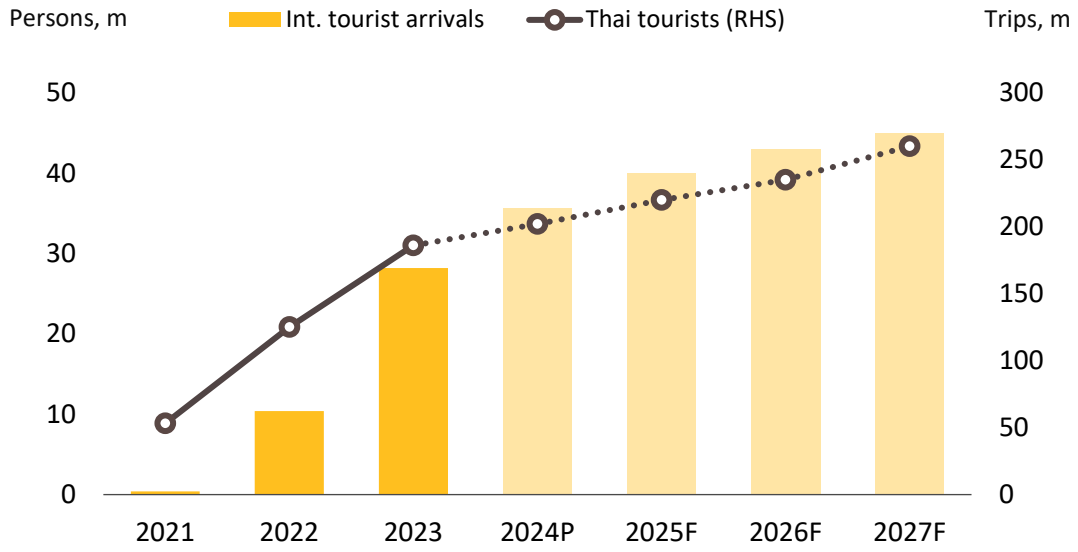


Source: REIC, Forecast by Krungsri Research

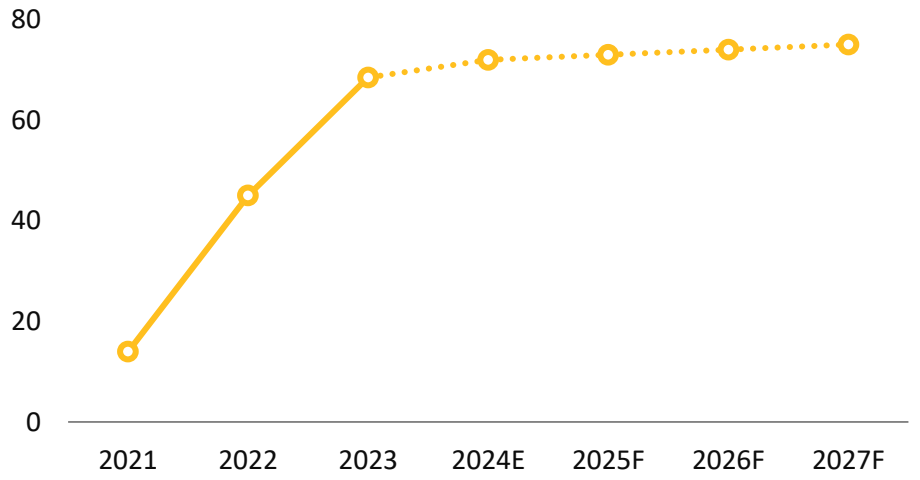
Hotel: Foreign arrivals are expected to return to pre-COVID levels in 2025, driving rapid growth in major tourist destinations.

- **Hoteliers will benefit from the anticipated rise in tourist arrivals to 40m in 2025 (equal to the 2019 level) and then to 43m in 2026, and 45m in 2027.** Despite the effects of ongoing geopolitical tensions, arrivals will be boosted by: (i) government measures targeting the industry, in particular the introduction of potentially permanent visa-free travel for Chinese tourists, which should maintain the country's position as Thailand's main market; (ii) the return of flights to their 2019 level; and (iii) the continuing popularity of Thailand as a travel destination. The expected continuation of government stimulus measures targeting the domestic industry will also mean that in each of the next three years, Thais are predicted to take 220m, 235m, and 260m domestic trips. **Therefore, over 2025-2027, the average occupancy rate should increase to 73-75%.**
  - **Hotels in major tourist destinations (Bangkok, Pattaya, and Phuket):** The increase in arrivals will push the occupancy rate to 80%, supporting solid growth in revenue.
  - **Hotels in tourist destinations and regional centers:** Recovery in the domestic market, especially the MICE segment, will help revenues to gradually strengthen.
  - **Hotels in other provinces:** Most travelers are en route to other major tourist areas and regional centers and so with lower occupancy rates, revenue growth will remain flat.

Tourist Numbers in Thailand



Occupancy Rate (%)



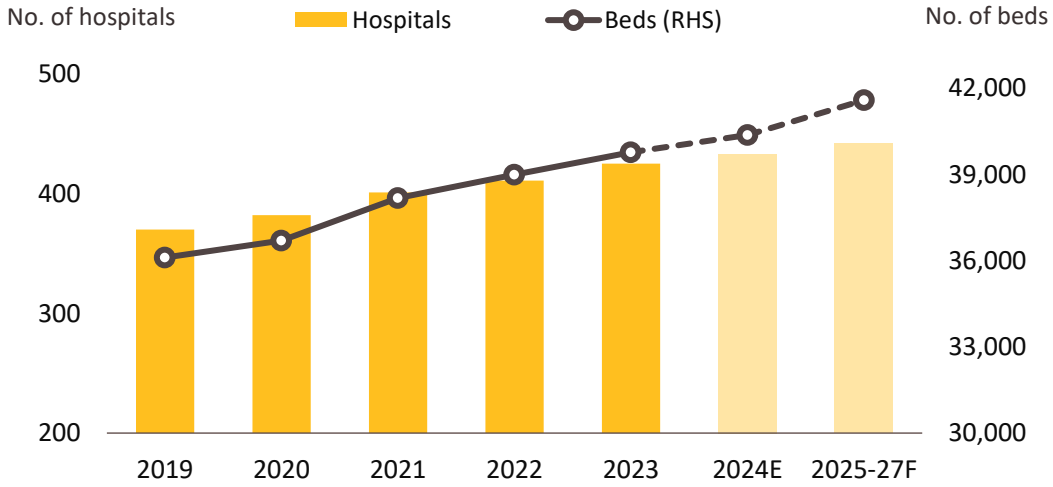
Sources : MOTS, BOT, Forecast by Krungsri Research
Note: P stands for preliminary data, E estimated data

Private Hospital: Income is expected to grow significantly supported by an aging population, the rise of medical tourism, and the expanded services.

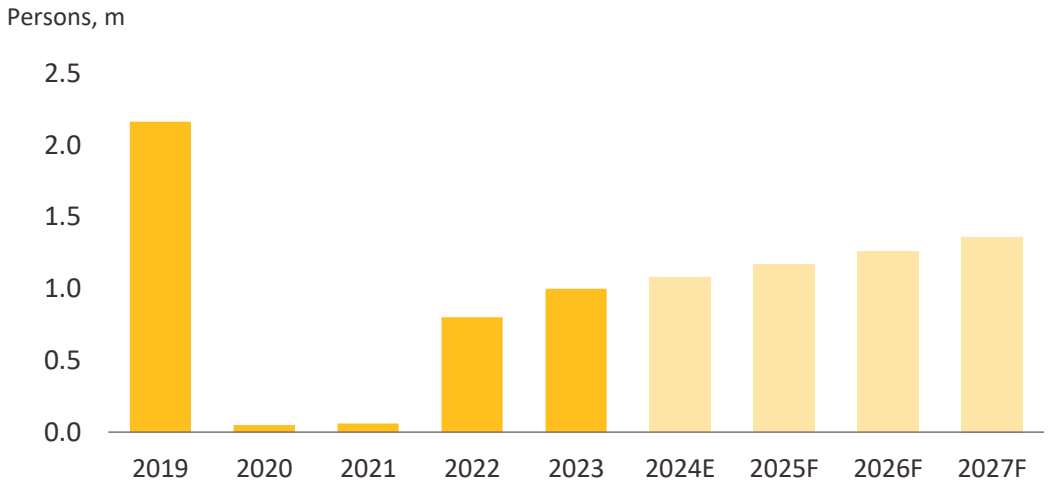
In 2025-2027, private hospitals should see annual growth of 9.0-10.0% thanks to the following:

- **The forecast increase in the share of the population aged 60 and over from 20.2% in 2023 to 22.4% in 2026 (source: NESDC),** adding to demand for ongoing and more complex treatments.
- The rise in the incidence of non-communicable diseases and seasonal illnesses, greater clarity over the criteria for referring patients to Thailand from the Middle East, and the continuing rebound in the tourism sector and the resulting rise in the number of medical travelers.
- **Players will grow their income by offering more specialist medical treatments and expanding the range of services on offer (e.g., for more complex conditions, telemedicine services, and health and wellness treatments).** They will also expand existing sites and extend their branch networks as they look to sharpen their competitiveness and connect to a broader consumer base.
- **Major corporations:** These will benefit from rising rates of illness and their ability to leverage investments in fixed assets (e.g., high-intensity medical equipment), the expansion in the reach of their branch networks, and their ability to offer treatments for more challenging conditions.
- **SMEs:** Providing services to patients covered by the Universal Coverage Scheme will help to iron out volatility in income, but stiff competition will mean that hospitals not embedded in wider commercial networks will come under intensifying pressure.

Numbers of Private Hospitals & Beds



Number of Foreign Patients in Thailand

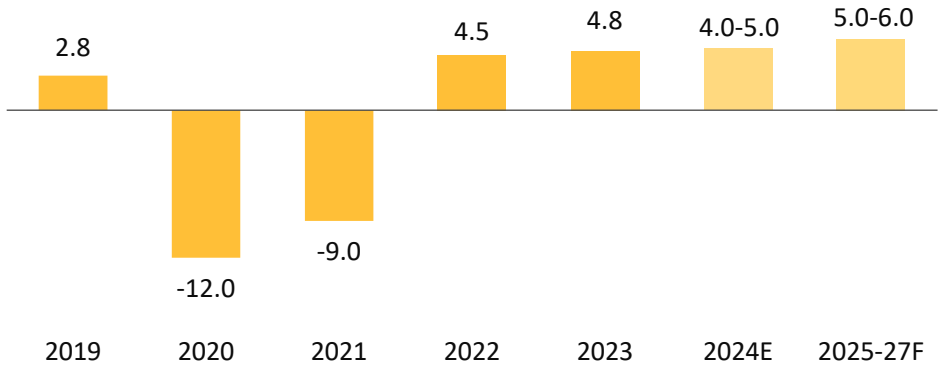


Source : NSO, MoPH, Forecast by Krungsri Research

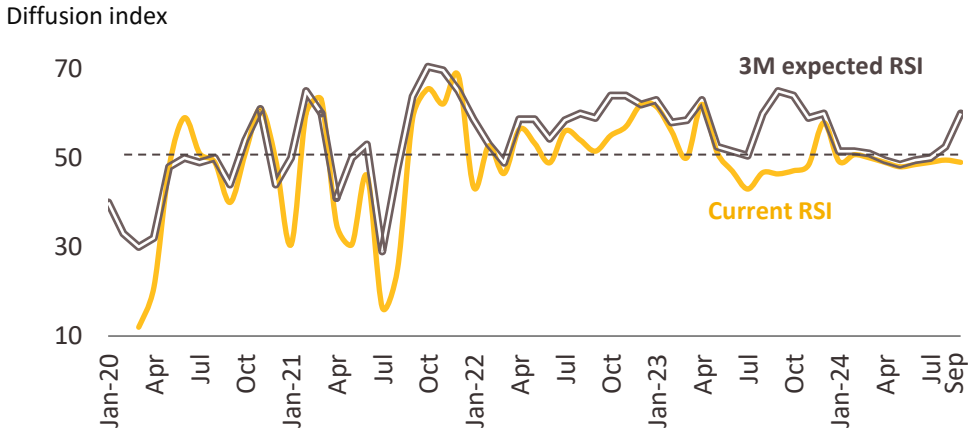
Modern trade: Income will increase, driven by economic recovery, rising tourist arrivals, government mega-projects, and omnichannel development.

- **Income is expected to rise by 5.0-6.0% annually,** helped by: (i) economic growth that will boost consumer spending power; (ii) rising tourist arrivals lifting spending in major tourist areas; (iii) progress on government investments that will both improve employment and income and establish new communities/markets for retail outlets, while new planning laws in Bangkok will help to disperse retail operations to more suburban areas; and (iv) the development of omnichannel platforms. Players will continue to expand their sales networks across Bangkok and upcountry, especially in border regions where they can exploit untapped purchasing power in neighboring countries. Retailers will also work to develop new business models that are a closer match for markets in individual locations.
- **The outlook for individual segments is as follows.**
  - **Department stores:** Revenue will grow by 4.0-5.0% annually thanks to the resilience of spending power among mid- to upper-income earners, the development of new technologies that will improve the shopping experience (e.g., AR), and ongoing expansion into high-potential areas upcountry and overseas.
  - **Discount stores:** Strong competition and weak purchasing power among some target groups will hold growth to an annual average of 2.5-3.5%. However, players will increasingly rollout multi-format stores that will allow retailers to connect with higher income consumers. They will also make use of digital platforms and will continue to sell goods at lower prices than players in other segments.
  - **Supermarkets:** Sales are forecast to jump by 6.5-7.0% thanks to the strong purchasing power of supermarket customers. Players will tend to modernize their outlets and focus more on high-end lines (e.g., high-quality imports, health goods, and organic products).
  - **Convenience stores:** Sales will increase at an average rate of 5.0-5.5% per annum, helped by expansion in store networks that now cover almost the entire country. Convenience stores are also adjusting their strategies by selling online, offering delivery services, and adding to their fresh food and drinks lines.

Modern Trade Retail Business Growth (%)



Retailer Sentiment Index (RSI)

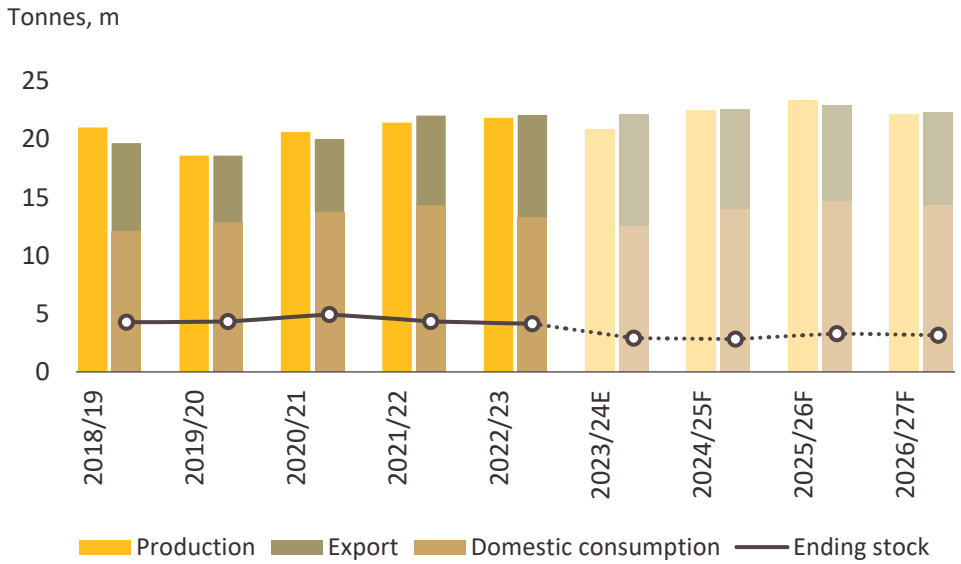


Source: Thai Retailers Association (TRA), Bank of Thailand of Thailand (BOT), Estimate and Forecast by Krungsri Research

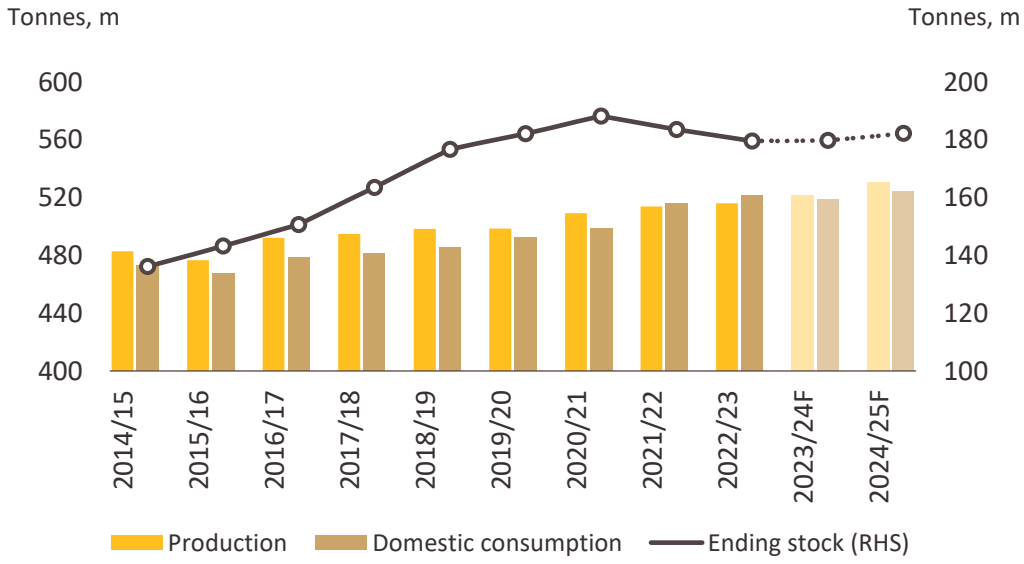
Rice: Output is forecast to grow gradually, while exports are expected to decline due to increased competition with more global supply.

- **Outputs are forecast to expand by 5.5-6.5% to 35.8-36.5m tonnes of paddy or 23.2-23.7m tonnes of milled rice over 2025-2026.** This will be due to: (i) the continuation of the La Niña into 2025, which will raise rainfall, help to ensure sufficient access to irrigation water, and expand the area under cultivation; (ii) high prices in 2024 that will encourage farmers to plant more rice; and (iii) government interventions to support rice prices. **However, the possible return of an El Niño in 2027 will cut outputs by -5.0% to -6.0%, or to 33.8-34.2m tonnes of paddy or 22.0-22.2m tonnes of milled rice.** In addition, high production costs will force some farmers to cut back on their use of fertilizer, negatively impacting yields.
- **Exports will decline by between -5.5% and -6.5%, falling to 7.8-8.1m tonnes of milled rice** as the onset of La Niña conditions lifts outputs in competitor nations. Vietnamese, Pakistani and especially Indian products will then return to global exchanges, and the price competitiveness of these products will reduce Thailand's presence in world markets.
- **Domestic distribution will climb to approximately 14.1-14.5m tonnes of milled rice annually (up 4.0-5.0% per year).** Demand will benefit from: (i) an improving outlook for restaurants and hotels as tourist arrivals continue to strengthen; (ii) rising demand from downstream industries, especially food processors; and (iii) an improvement in labor markets, which will increase consumer spending power and boost demand for rice for personal consumption.

Thailand Rice Production, Consumption and Exports (milled rice)



World Rice Balance

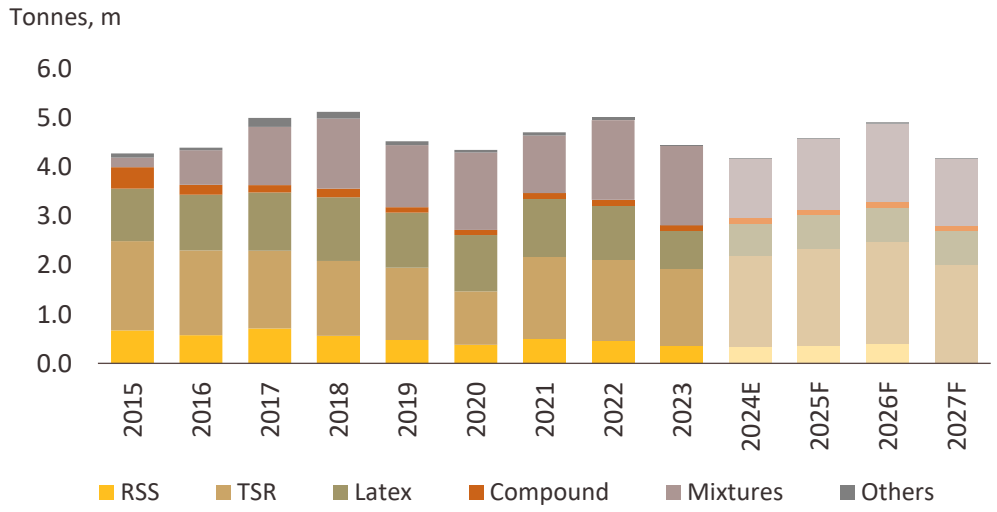


Source: OAE, DOA, MOC, USDA, Krungsri Research

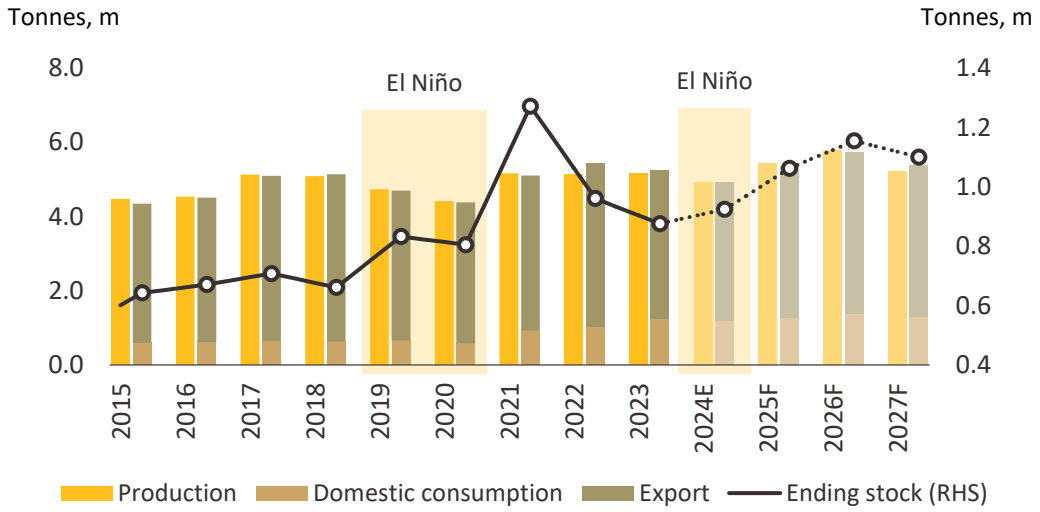
Rubber: Overall demand is expected to rise, driven by recovery of key industries such as automotive, construction, and manufacturing in major markets.

- **Outputs should strengthen by 2.0-3.0% pa** on: (i) rising yields from stands planted some years ago that are now at their most productive; (ii) better weather and access to water; and (iii) high prices that will encourage growers to better care for their trees and to tap these more often.
- **Overall demand is expected to rise, with domestic consumption increasing 2.5-3.5%** on: (i) stronger sales to autos and auto parts manufacturers; (ii) recovering demand from construction; and (iii) government measures to absorb excess production. **Exports will expand by 2.5-3.5% per year,** helped by: (i) improving economic conditions in overseas markets; (ii) higher demand from industrial consumers, especially autos, auto parts and tires manufacturer; and (iii) the need to build inventories to support increased output.
  - **RSS: Exports will edge up 2.5-3.5%** since while Thai production is of a high standard, the country is losing market share to producers in the CLMV nations.
  - **TSR: Exports will rise by 2.0-3.0%** annually on growing demand from industries e.g., auto assemblers (especially of EVs) and manufacturers of tires and auto parts.
  - **Concentrated latex: Exports will rise by 1.0-2.0%,** driven by demand for latex in surgical gloves and medical devices, though the market is softening as the pandemic fades.
  - **Compound rubber: Exports will inch up 0.5-1.5% annually** thanks to increased manufacturing output in major export markets including India, the US, the EU and China.
  - **Mixed rubber: Exports should be up by 3.5-4.5% per year,** thanks to growth in the auto assembly, auto parts and tire industries, although because mixed rubber can be used in a range of industries, sales will also benefit from growth in the Chinese economy (the main export target).

Thailand Rubber Exports (By Product)



Thailand Rubber Production, Consumption, Export and Ending Stock



Source: OAE, DOA, MOC, forecast by Krungsri Research

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